

Northrim

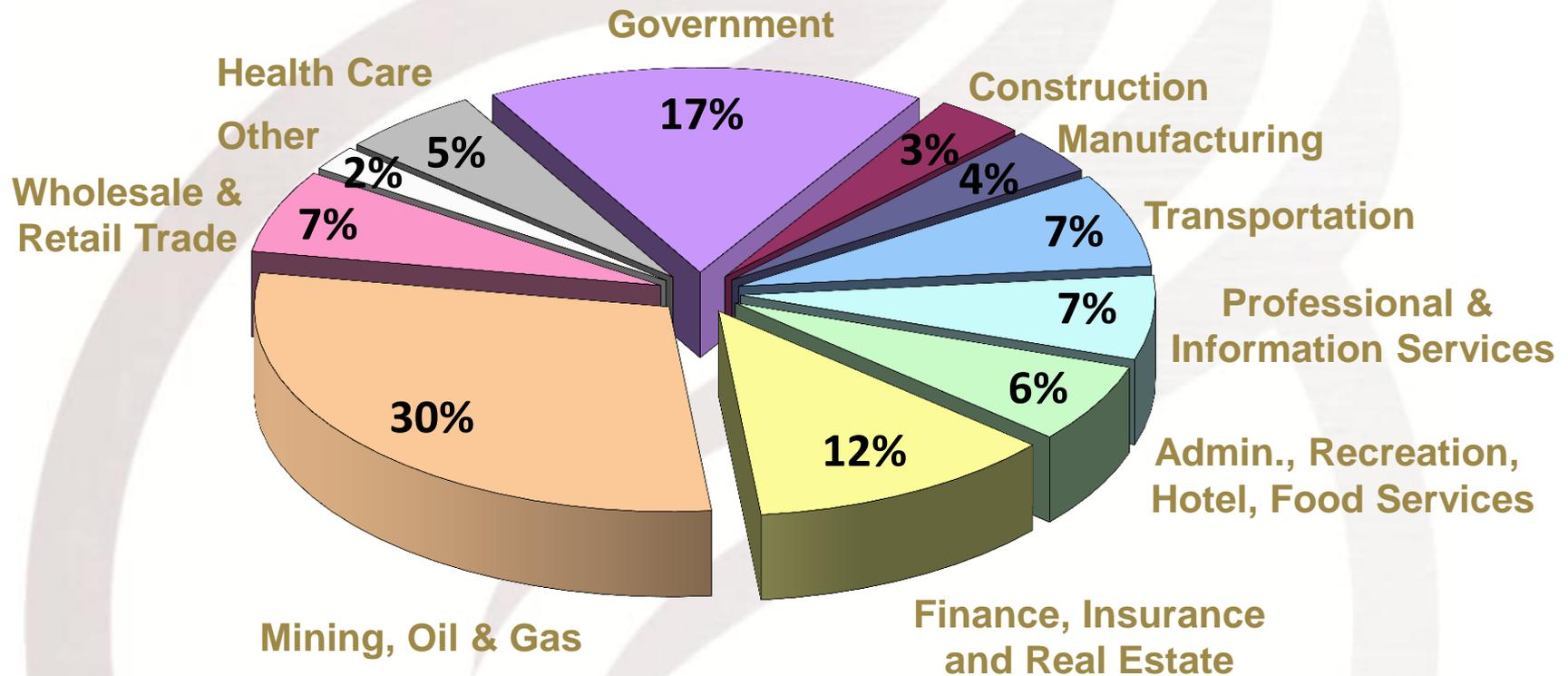


Mark Edwards

Vice President, Commercial Loan Officer, Bank Economist

Proud to be Alaskan

Alaska Gross State Product



Source: U.S. Department of Commerce, Bureau of Economic Analysis
"Other" consists of Agriculture, forestry, fishing; and Utilities

The Four Factors of Production - Labor

- “Human capital” – the value added to the economy through people’s hard work
- Entrepreneurs add productivity, efficiency gains
- Quantity – growth through birth rates, immigration
- Alaska brain drain, need to train for Alaska jobs
- Disincentives to work – two-year unemployment benefits, expanded social programs
- Retrain, educate displaced labor, shift assets

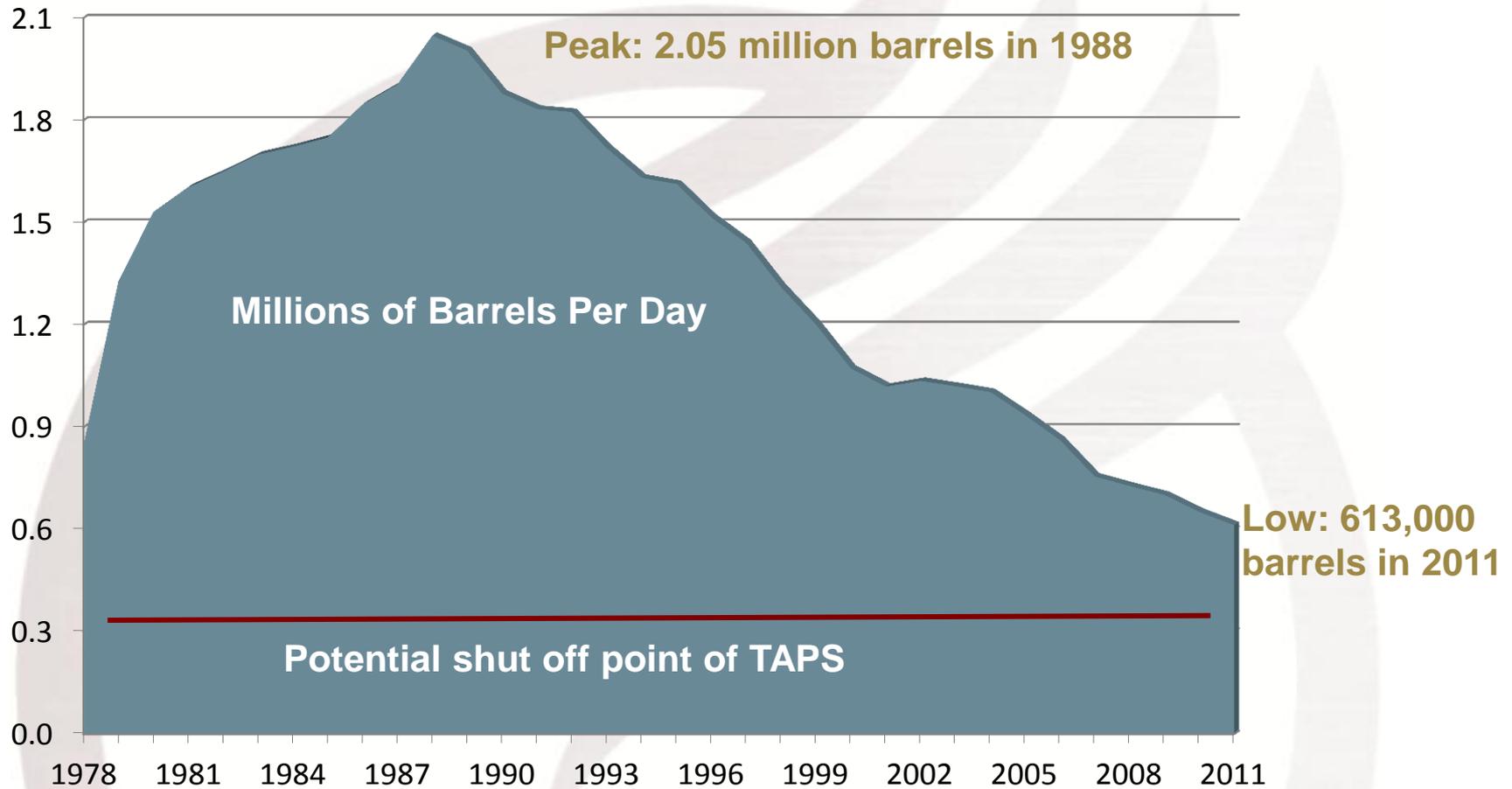
Labor Indicators

- 21 years of consecutive job growth ended in 2009, -0.3%
- Payroll jobs grew by 1.1% in 2010 and 1.5% in 2011, adding nearly 5,000 jobs last year.
- Alaska Unemployment was 7.3% at year end, compared to U.S rate of 8.5%. Alaska better than U.S. for 3 years
- Anchorage Unemployment was 5.6%, Fairbanks 6.7%, Mat-Su 9%.
- 2010 Census population up 13.3% over decade 722,190 4% per year in Mat-Su +32k. Anchorage added 36k.

The Four Factors of Production - Land

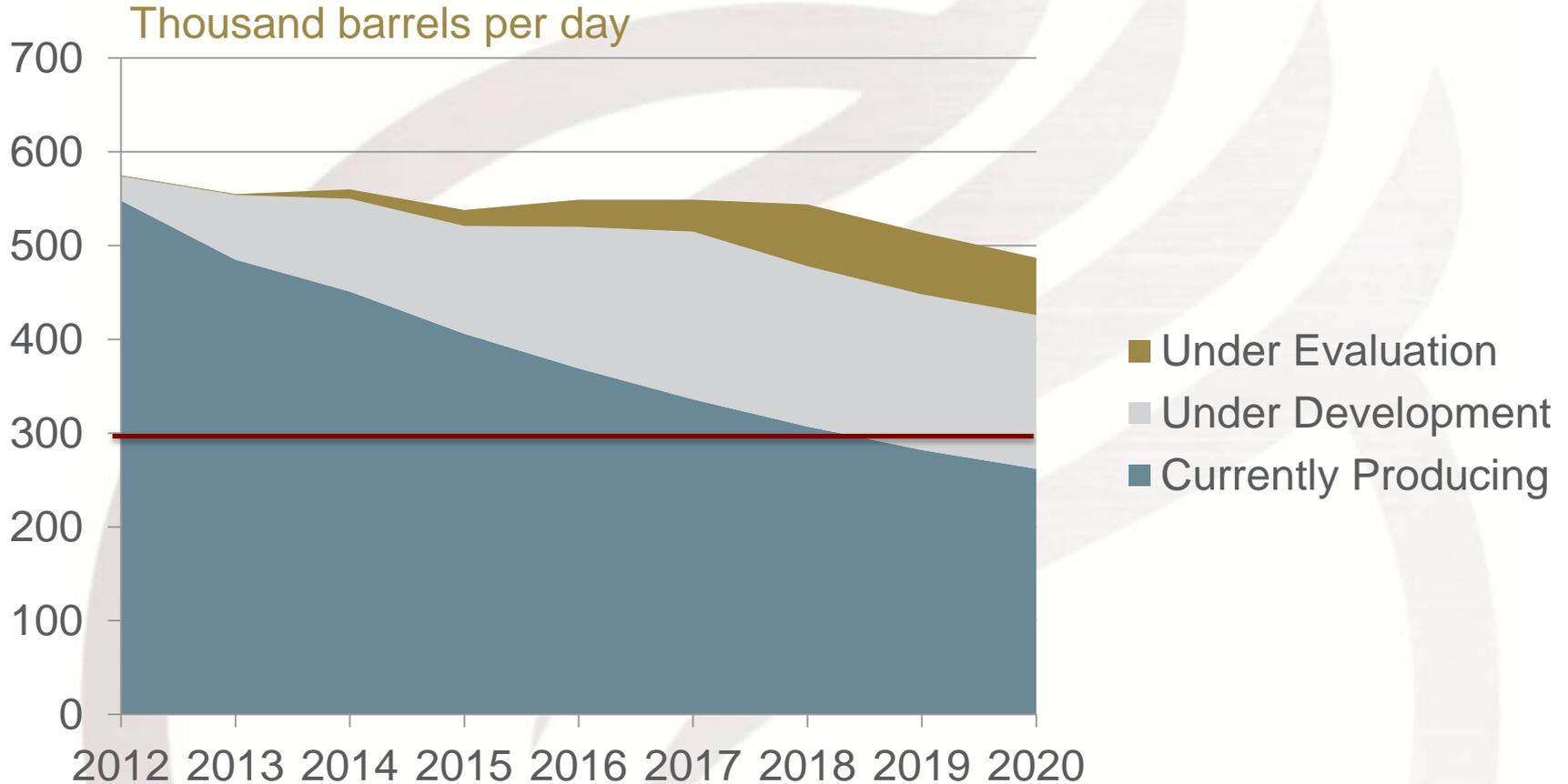
- Value of the land itself, the mineral rights below, natural resource, timber, seafood, energy.
- Monetized oil underground into a stock/bond/real estate portfolio in Permanent Fund, spins off billions in interest.
- Billion dollar project list – ANWR, NPR-A, OCS, gasline, coal development, Pebble and Donlin Creek mines
- It is not a coincidence that Anchorage, Fairbanks, Mat-Su are centers of economic development. Private land was available from past homesteads, land lotteries.
- Land most underutilized asset, no private capital formation

Alaska Oil Production 1978-2011



Source: Alaska Department of Revenue, Tax Division, represents State fiscal years July to June

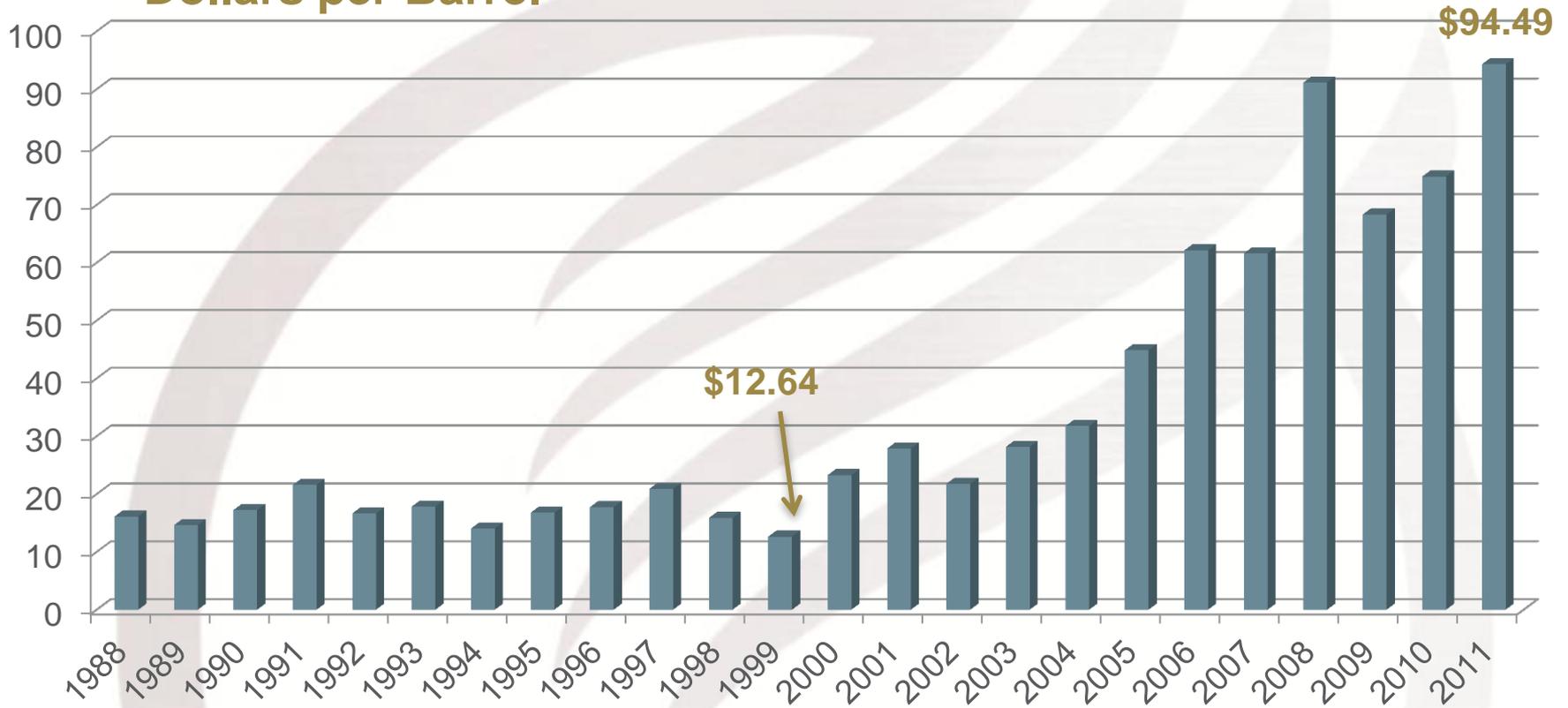
State Oil Production Forecast



Source: Alaska Department of Revenue, Tax Division
Fall 2011 Revenue Sources Book

Alaska North Slope Average Annual Prices

Dollars per Barrel



Source: Alaska Department of Revenue, Tax Division
Prices are for the State fiscal year, July to June.

Foreclosure and Delinquency Rates

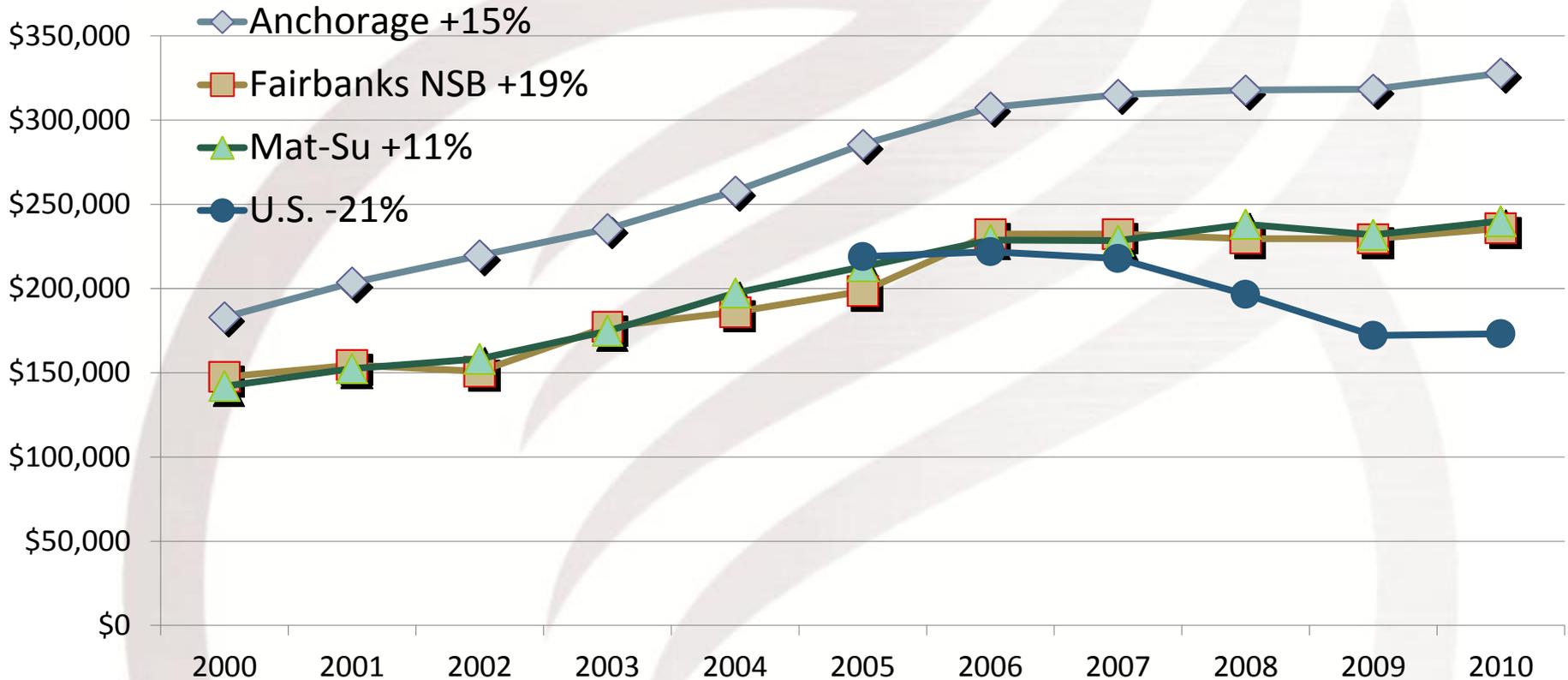
1-4 Unit Residential Properties

	National Rank	Alaska	U.S.
Delinquencies, total 3Q 2011	4th best	4.5%	8.2%
Foreclosures, started 3Q 2011	2nd best	0.4%	1.1%
Foreclosures, total in progress	Best in Nation	0.9%	4.4%
Subprime delinquencies	Best in Nation	10.8%	23.1%
Subprime foreclosures	Best in Nation	4.2%	14.8%

Source: Mortgage Bankers Association of America
Seasonally adjusted rates based on 3rd quarter 2011 data.

Single Family Homes - Average Sales Price

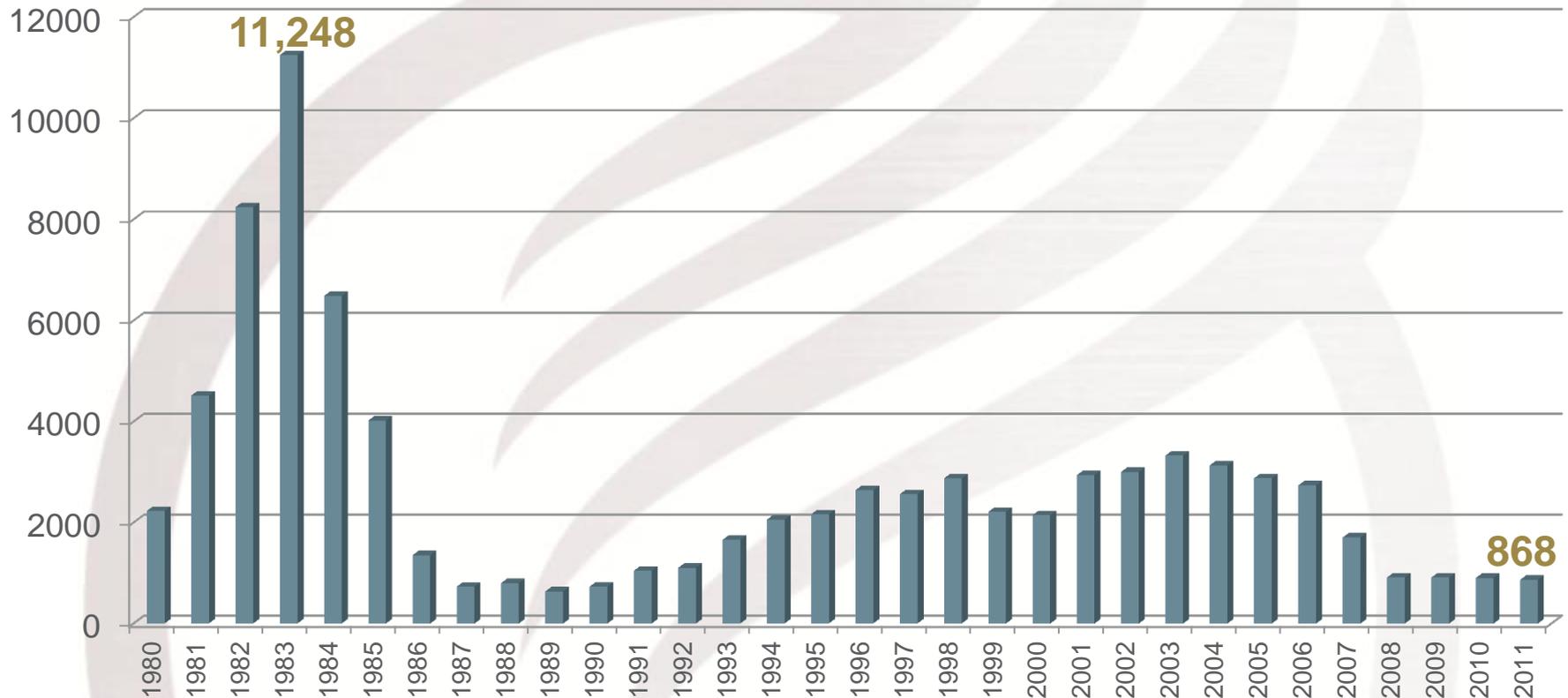
Price change since 2005



Sources: State of Alaska, Department of Labor - produced for the Alaska Housing Finance Corporation
 U.S. statistics from the National Association of REALTORS - prices are for existing homes

Alaska Building Permits

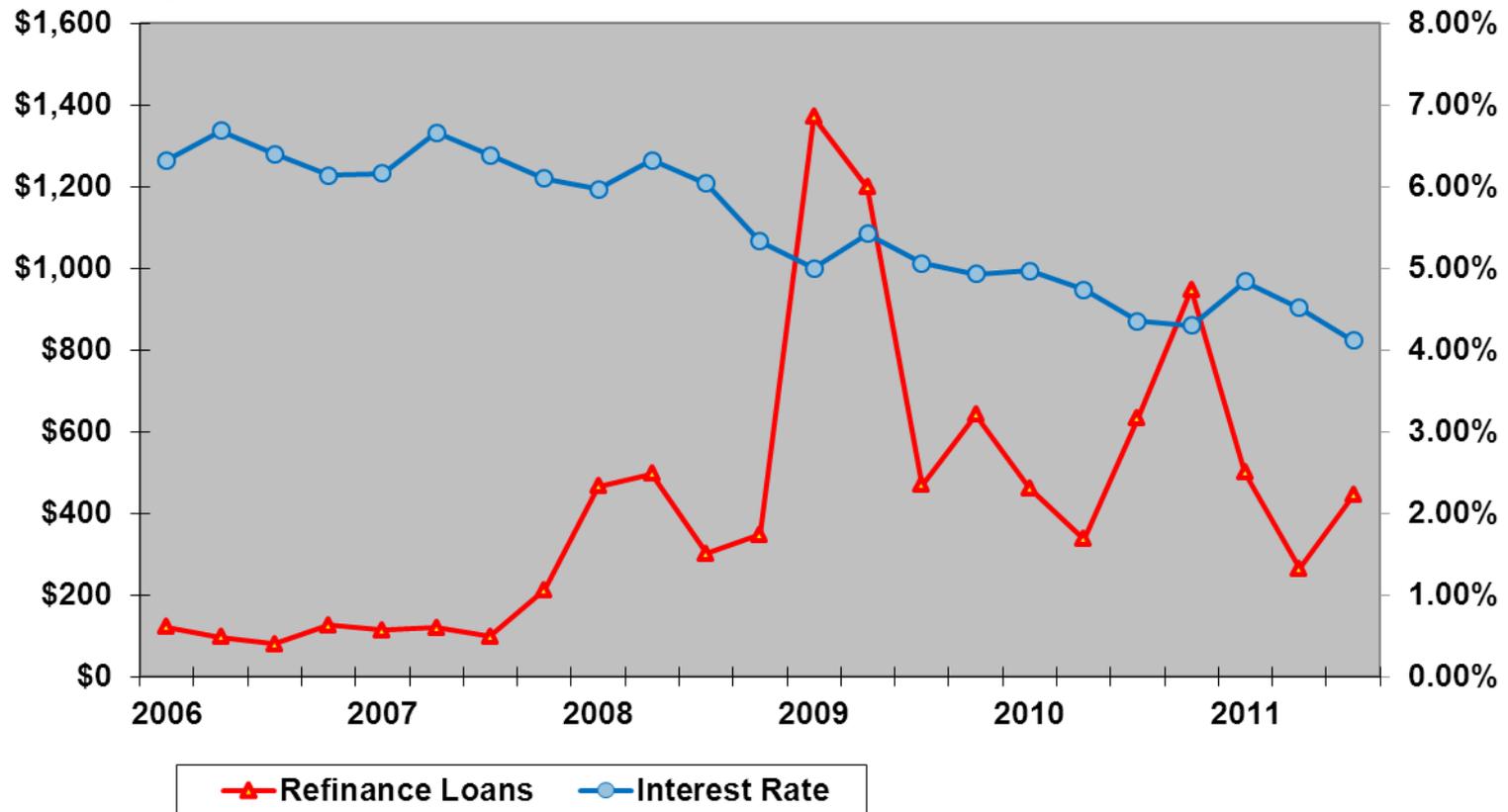
Number of new, privately owned housing, 1-5 units authorized



Source : U.S. Census Bureau

Refinance Loans vs. 30 Year Interest Rates

In millions per quarter



Sources : U.S. Federal Reserve for conventional interest rates, AHFC for refinance activity

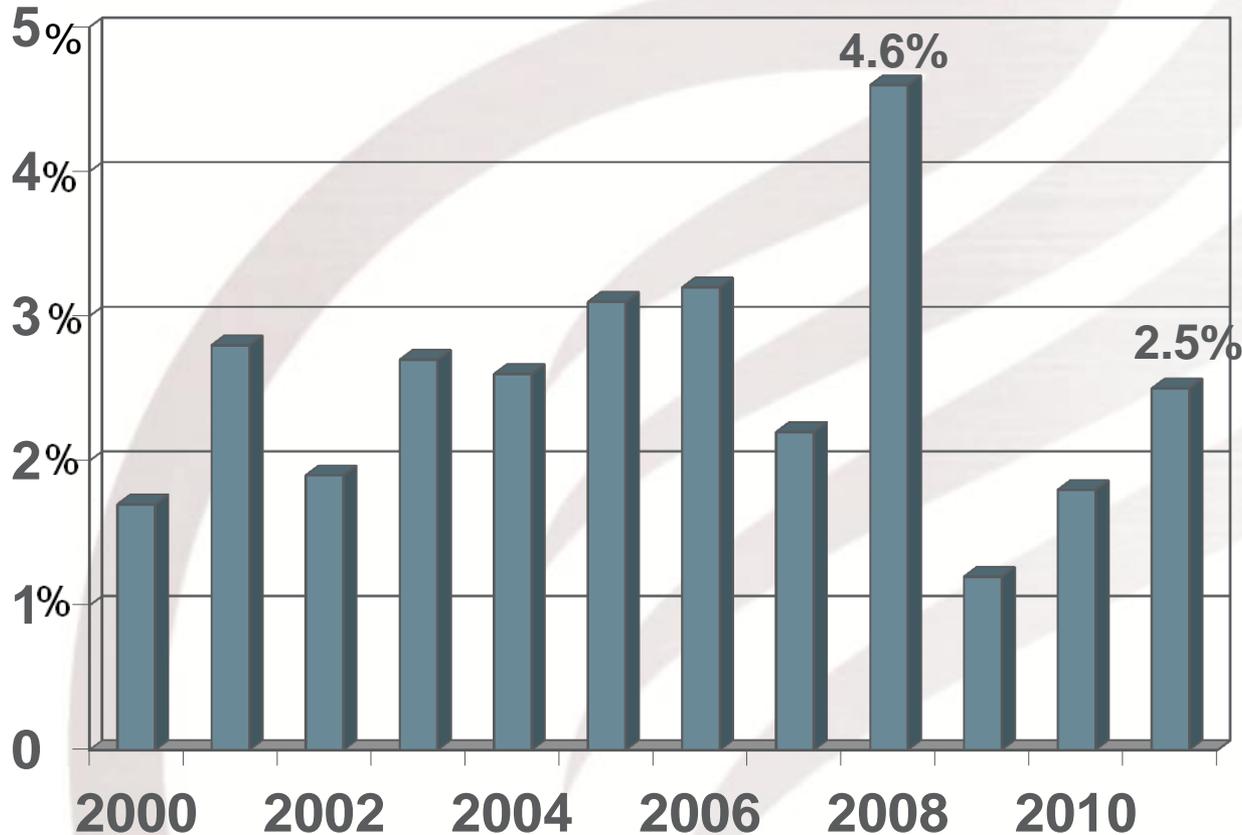
The Four Factors of Production - Capital

- Capital – investment in physical assets, financial capital needed to grow a business
- Mortgage market was over-leveraged, heavy government intervention led to lower standards
- Deleveraging, return to traditional standards, decreases the banking multiplier effect
- Different types of banks – commercial, mortgage, investment, Northrim well-capitalized, lends locally
- New money, FDI, investment in Alaska resources

Capital Indicators

- Personal income in Alaska has grown for eleven consecutive quarters since the beginning of 2009.
- Income growth was \$823 million or 2.6% between 3Q 2010 and 3Q 2011 led by professional, technical and administrative services, tourism, health care, and utilities
- \$15 billion State reserves, \$40 Billion in Permanent Fund
- \$11B State spending (\$3.1B from Fed. Govt, \$698M PFD)
- Anchorage inflation remains low, averaging just over 2% for the decade, 2.5% in the first half of 2011.
- Bed tax numbers, cargo and passenger aircraft improving

Anchorage Inflation – June 2011



Increasing 2011
Gasoline +16.6%
Medical +4.8%
Housing +3.1%
Furnishing +2.5%
Recreation +2%

Decreasing 2011
Apparel - 2.2%
Communications & Education -0.3%

Sources : U.S. Department of Labor, Bureau of Labor Statistics

The Four Factors of Production - Technology

- Improved productivity per given resource through innovation, scientific discovery, quality upgrades, or new management techniques
- U.S. was the incubator of innovation in 20th century - private property rights, patents, trademarks, world-class universities, free market capitalism, freedom, creativity.
- Jet airplanes bring international cargo, Internet/satellites link rural communities, more energy produced per well, sustainable yield fishing and timber, animal management.
- Who worked harder? A gold panner from 100 years ago or modern miner in a control room. Who is more productive?

Government

- Government revenues are a result of a successful economy; not its purpose
- Landlord, regulator and permitting bottlenecks
- Federal deficits will dampen economic growth, stimulus creates govt. bubble financed from future
- Seven years of State surplus, larger capital and operating budgets, more sensitive to oil prices
- Billions in savings will help Alaska in short & medium run, decisions must be made for long run

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